

Congress of the United States
Washington, DC 20515

February 14, 2014

The Honorable Chuck Hagel
Secretary of Defense
Department of Defense
1000 Defense Pentagon
Washington, DC 20301

Dear Secretary Hagel:

In 2007, Congress passed the Military Lending Act to extend financial protections to military service members. The law addressed the troubling practice of lenders targeting military service members with high interest rate, predatory loans. The Military Lending Act was a step in the right direction to protect our men and women in uniform. The Fiscal Year 2013 National Defense Authorization Act expanded on these protections by granting the Department of Defense greater authority in promulgating rules to protect military service members.

In the National Defense Authorization Act for Fiscal Year 2013, Congress directed the Secretary of Defense to study the issue further and consult with relevant stakeholders. As a result, the Department in 2013 published in the Federal Register an Advanced Notice of Proposed Rulemaking. Comment period for the action closed August 1st 2013, yet our service members continue to remain at risk.

Service in the U.S. military carries with it a number of characteristics that make its members targets for predatory loans: a structured pay system, static duty locations, a formal chain of command, a unique justice system and deployments that separate families. For these reasons Congress and the Executive Branch have realized the necessity to take steps to limit the financial risk to our men and women in uniform. Unfortunately, recent media reports have drawn attention to loopholes that exist in current policy that are allowing lenders to take advantage of our military.

A New York Times article tells the story of Petty Officer First Class Vernaye Kelly who has been trapped by payday loans for more than a decade. Petty Officer Kelly has had a number of double-digit interest payday loans and has even had to take out additional loans to cover her existing debt. Paycheck allotments further exacerbate Petty Officer Kelly's financial troubles by taking money off the top of her paycheck before she even has a chance to see the money. Petty Officer Kelly's story illustrates the danger of payday loans yet also points out glaring loopholes that still exist in current policy and regulation.

We ask that the Department of Defense work quickly to review current regulation and immediately close these loopholes that predatory lenders are exploiting. Additionally, we

ask that the Department provide recommendations for congressional action that would strengthen the law for our service members.

Defense Department resources and educational programs are making a difference but more can be done. Military One Source, Army Community Service, Air Force Personal Financial Management Program and Navy Personal Financial Management are examples of programs that are educating our service members and keeping them from predatory loans. These programs and those like them should be sustained and strengthened to ensure the financial readiness of our individual military members. We ask that the Department of Defense review and revise its educational practices to ensure service members are aware of existing financial aid resources to obviate the draw of payday and high-risk loans.

Our men and women in uniform volunteer every day to protect us. We should all be doing our part to protect them.

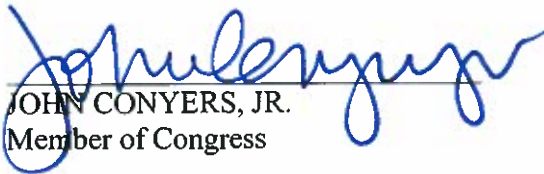
Sincerely,



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Member of Congress



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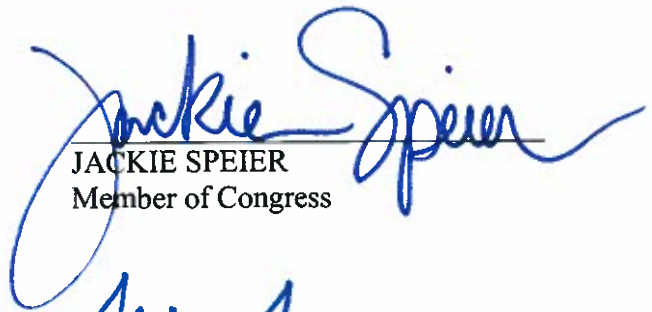
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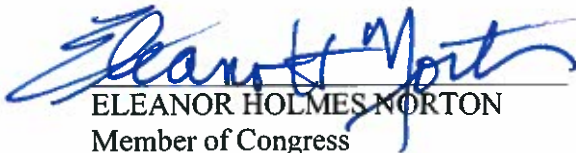
JACKIE SPEIER
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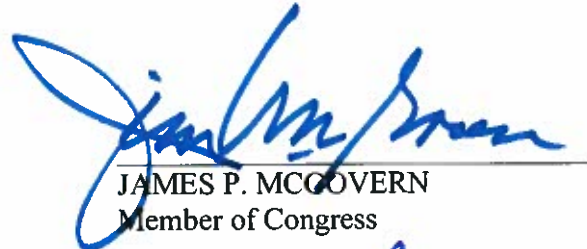
CAROL SHEA-PORTER
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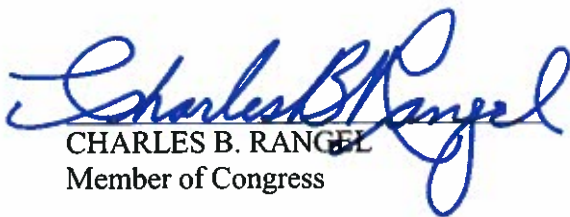
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